

**CITY OF LODI
INFORMAL INFORMATIONAL MEETING
"SHIRTSLEEVE" SESSION
CARNEGIE FORUM, 305 WEST PINE STREET
TUESDAY, FEBRUARY 11, 2003**

An Informal Informational Meeting ("Shirtsleeve" Session) of the Lodi City Council was held Tuesday, February 11, 2003, commencing at 7:00 a.m.

A. ROLL CALL

Present: Council Members – Beckman, Hansen, Land, and Mayor Hitchcock

Absent: Council Members – Mayor Pro Tempore Howard*

Also Present: City Manager Flynn, Deputy City Attorney Schwabauer, and City Clerk Blackston

*Absent due to attendance at the American Public Power Association conference in Washington, D.C.

B. CITY COUNCIL CALENDAR UPDATE

City Clerk Blackston reviewed the weekly calendar (filed).

Announcements:

City Manager Flynn reported that he was notified last week that Cynthia Haynes would be leaving employment with the City effective May 1, as she has accepted a position with the Conference and Visitors Bureau in Auburn. He stated that Ms. Haynes will finish three projects that she is currently working on. Further, he reported that a diseased oak tree at Lodi Lake would be removed today, and that the February 18 Shirtsleeve Session had been canceled.

C. TOPIC(S)

C-1 "Follow up discussion regarding auditor's report"

Ruby Paiste, Accounting Manager, recalled that at the January 15 Council meeting questions were raised regarding items one and two on page five of the financial statements. She explained that item two shows the ending fund balance of \$1,299,032 in the budget column. The projected fund balance in the budget included the Other Sources and Uses of \$3,145,000. Ms. Paiste explained that Other Sources and Uses is a line item to reflect projected savings for presentation purposes in the budget. These include savings from vacancies, deferred positions, the value of E step versus actual, personnel costs, carryovers from various departments, and additional projected revenues. Ms. Paiste stated that if she followed the budget format it would show a fund balance of \$4,444,000, which is \$1,299,032 plus the Other Sources and Uses of \$3,145,000. She noted, however, that in the financial statements, she must follow the "financial statements presentation." In the actual financial statements, the items that are in the budget for Other Sources are reflected in the variance column. Ms. Paiste reported that the revenues show a favorable variance of \$5,903 and the expenditures show a favorable variable of \$1,758,960. The budget shows in Other Sources and Uses a projected share of the general fund of \$900,000; however, the Market Cost Adjustment (MCA) transfer did not occur, which resulted in a draw down from the fund balance of \$881,000. Ms. Paiste pointed out that if the \$900,000 transfer had occurred, the item would have been a positive amount of \$18,284.

City Manager Flynn stated that revenue estimates and expenditure projections are made when the budget is started. One of the largest items that affects Other Sources and Uses is payroll. Departments are asked to fully budget every position they are authorized, i.e. budget at E step if the position is filled and A step if it is vacant. As the two-year budget progresses staff becomes aware of additional revenues that have come in. When revenue projections are made, adjustments are made for the prior year, or the current year, based upon what is known. On the expenditure side there may be adjustments, such as for pay raises. He stated that the variation amount from the budgeted number and actual number is placed "below the line." This acknowledges that there is a savings,

which becomes an Other Source, and expenditures (e.g. pay raises) are an Other Use. Mr. Flynn stated that there are things that happen during the year that change the numbers based upon actions taken or information coming in; however, at the end of the year, even after making the adjustments, there are at times additional revenues and expenditure savings.

Finance Director McAthie reported that when staff presented this in the Other Sources and Uses, \$650,000 was projected in additional revenue and \$600,000 was the end result. The expenditure side was under budget. She pointed out that if the MCA transfer had been made prior to the audit, the fund balance would have been as was originally budgeted.

Mayor Hitchcock stated that she did not understand the auditor's comment that the City had *anticipated* to have a \$2.6 million loss, but ended with only an \$800,000 loss.

Ms. McAthie explained that because Other Sources and Uses cannot be booked, the beginning fund balance showed \$3.9 million and the budget was projected to be \$1.2 million. The \$33 million figure represents all employees budgeted at E step. The difference is a combination of all the Other Sources and Uses, e.g. the additional \$650,000 revenue, the E step to actual, the vacancies, and any amount of prospective memorandum of understanding adjustments. Ms. McAthie reiterated that if the MCA had been booked in June, and the Other Sources and Uses could be booked, then it would have come out evenly. She stated that the flexibility of the budget is for presentation purposes only.

General discussion ensued regarding the two-year budget process, carryover, and the projected Public Employees Retirement System (PERS) increase.

Addressing Mr. Flynn, Council Member Hansen commented that if the City is conservative in the next two-year budget cycle, it could translate into a surplus.

Mr. Flynn replied that it would be a good idea to build up reserves considering the expected increase in PERS. He expressed concern and stated that the increase would be very significant. He recommended that the City be very careful until the matter is fully resolved and noted that there could be serious political repercussions from public sentiment that City services should not be decreased to cover the cost of government employees' retirement.

Mayor Hitchcock reported that PERS projected an 8% return, and over the last 15 years it has been 9.4%.

Mr. Flynn stated that he could not find any logical reason why in 2006-07 the City of Lodi would be paying 46% and questioned whether PERS is using margin accounts.

Council Member Land stated that, in his opinion, the PERS increase should not become a tax- or ratepayer burden. He announced that on February 13, Mr. Flynn would be receiving the League of California Cities Award for the Advancement of Diverse Communities.

D. COMMENTS BY THE PUBLIC ON NON-AGENDA ITEMS

None.

E. ADJOURNMENT

No action was taken by the City Council. The meeting was adjourned at 8:03 a.m.

ATTEST:

Susan J. Blackston, City Clerk

Mayor's & Council Member's Weekly Calendar

WEEK OF FEBRUARY 11, 2003

Tuesday, February 11, 2003

- Reminder **Howard.** APPA Legislative Rally, Washington D.C.
February 8 – 12, 2003.
- 7:00 a.m. Shirtsleeve Session
1. Follow up discussion regarding auditor's report (FIN)
- 8:00 a.m. Leadership Lodi, Dynamics Day, Hutchins Street Square,
Lodi.
-

Wednesday, February 12, 2003

Thursday, February 13, 2003

Friday, February 14, 2003

Valentine's Day!!!



Saturday, February 15, 2003

Sunday, February 16, 2003

- 4:00 – 7:00 p.m. **Hitchcock.** Annual Family Eid Mela sponsored by Pakistani-American Association of San Joaquin County, Stockton Ballroom, 9650 Thornton Road, Stockton.
-

Monday, February 17, 2003

- noon **Hansen.** Masonic High Twelve Club, Richmaid Restaurant,
100 South Cherokee Lane, Lodi.

Holiday. City Hall is closed.

President's Day.



Disclaimer: This calendar contains only information that was provided to the City Clerk's office



CITY OF LODI

COUNCIL COMMUNICATION

AGENDA TITLE: Follow up Discussion Regarding Auditor's Report

MEETING DATE: February 11, 2003 (Shirtsleeve Session)

PREPARED BY: Finance Director

RECOMMENDED ACTION: No Action Required.

BACKGROUND INFORMATION: The City Auditors, KPMG made a presentation on the 2002 Comprehensive Annual Financial Report (CAFR) at the January 15 Council meeting. Mayor Hitchcock requested additional information be presented at a follow up discussion regarding the Auditor's report.

The requested additional CAFR discussion deals specifically with two items on the Combined Statement of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual – General and Special Revenue Funds (page 5).

The first item of discussion will be the \$881,756 deficiency of revenues and other financing sources vs. expenditures and other financing uses shown in the General Fund actual column. The major portion of this deficiency is due to the Electric Market Cost Adjustment transfer that was budgeted but not made until after the fiscal year end.

The second item of discussion will be the \$1,299,032 fund balance as shown on the General Fund revised budget column. The discussion will center on the flexibility of the budget format where items can be used for presentation purposes only vs. the more structured format required in the Financial Statements.


In addition to the above items, there was a short discussion on City debt and the increase in borrowing over the last several years. As directed staff pulled the resolutions on any borrowings authorized during that time frame. All borrowings were unanimously approved by Council except the following:

- Resolution 93-61 authorizing 1993-94 Tax and Revenue Anticipation Notes
 - Council Member Davenport voted no
- Resolution 97-11 authorizing execution of agreement for financing Electric Capacity with NCPA
 - Council Member Siegluck was absent
- Resolution 2002-08 relating to COP for 2002 Public Improvement Financing Project
 - Council Member Hitchcock voted no

FUNDING: None required at this time.


Vicky McAthie, Finance Director

APPROVED: _____


M. Dixon Flynn – City Manager

CITY OF LODI
COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL - GENERAL AND SPECIAL REVENUE FUNDS
Year ended June 30, 2002

	General Fund			Special Revenue Funds			Total (Memorandum Only)		
	Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
Revenues:									
Taxes	\$ 20,388,939	20,575,333	186,394	753,405	775,524	22,119	21,142,344	21,350,857	\$ 208,513
Licenses and permits	1,595,584	1,464,450	(131,134)				1,595,584	1,464,450	(131,134)
Intergovernmental revenues	4,457,772	4,515,275	57,503	16,020,373	13,228,633	(2,791,740)	20,478,145	17,743,908	(2,734,237)
Charges for services	1,644,914	1,746,045	101,131	808,000	1,333,524	525,524	2,452,914	3,079,569	626,655
Fines, forfeits and penalties	808,032	806,212	(1,820)				808,032	806,212	(1,820)
Investment and rental income	779,204	515,748	(263,456)	228,380	110,617	(117,763)	1,007,584	626,365	(381,219)
Miscellaneous revenue	79,775	137,087	57,312		24,746	24,746	79,775	161,833	82,058
Total revenue	29,754,220	29,760,150	5,930	17,810,158	15,473,044	(2,337,114)	47,564,378	45,233,194	(2,331,184)
Expenditures:									
Current:									
General government	10,092,125	8,986,802	1,105,323				10,092,125	8,986,802	1,105,323
Public protection	13,130,102	13,094,347	35,755	693,354	467,571	225,783	13,823,456	13,561,918	261,538
Public works	5,331,616	5,032,251	299,365	2,358,970	708,461	1,650,509	7,690,586	5,740,712	1,949,874
Library	1,198,273	1,157,663	40,610				1,198,273	1,157,663	40,610
Parks and recreation	3,138,340	2,860,433	277,907				3,138,340	2,860,433	277,907
Capital outlay	148,282	148,282		14,465,616	11,563,048	2,902,568	14,613,898	11,711,330	2,902,568
Total expenditures	33,038,738	31,279,778	1,758,960	17,517,940	12,739,080	4,778,860	50,556,678	44,018,858	6,537,820
(Deficiency) excess of revenues (under) over expenditures	(3,284,518)	(1,519,628)	1,764,890	292,218	2,733,964	2,441,746	(2,992,300)	1,214,336	4,206,636
Other financing sources (uses):									
Operating transfers in	5,372,694	5,372,694		578,218	578,218		5,950,912	5,950,912	
Operating transfers out	(4,883,104)	(4,883,104)		(3,189,750)	(3,189,750)		(8,072,854)	(8,072,854)	
Capital lease proceeds	148,282	148,282					148,282	148,282	
Total other financing sources (uses)	637,872	637,872		(2,611,532)	(2,611,532)		(1,973,660)	(1,973,660)	
(Deficiency) excess of revenues and other financing sources (under) over expenditures and other financing uses	(2,646,646)	(881,756)	1,764,890	(2,319,314)	122,432	2,441,746	(4,965,960)	(759,324)	4,206,636
Fund balance, June 30, 2001	3,945,678	3,945,678		3,050,317	3,050,317		6,995,995	6,995,995	
Fund balance, June 30, 2002	\$ 1,299,032	3,063,922	1,764,890	731,003	3,172,749	2,441,746	2,030,035	6,236,671	\$ 4,206,636

See accompanying notes to general purpose financial statements.